91

(3)

No. 07-1120

FILED

APR 14 2008

OFFICE OF THE CLERK
SUPREME COURT, U.S.

In The

Supreme Court of the United States

TOYOTA MOTOR CORPORATION,
TOYOTA MOTOR NORTH AMERICA, INC., and
TOYOTA MOTOR SALES, U.S.A., INC.,

Petitioners,

v.

PAICE LLC,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

REPLY BRIEF

GEORGE E. BADENOCH
Counsel of Record
KENYON & KENYON LLP
One Broadway
New York, NY 10004
(212) 425-7200

T. CY WALKER
WILLIAM M. MERONE
KENYON & KENYON LLP
1500 K Street, N.W.
Washington, DC 20005
(202) 220-4200

COCKLE LAW BRIEF PRINTING CO. (800) 225-6964
OR CALL COLLECT (402) 342-2831

TABLE OF CONTENTS

	Page
TABLE OF CONTENTS	i
TABLE OF AUTHORITIES	ii
I. The Issue Presented Here is One of Law, Not of Fact	2
II. Respondent Does Not Defend the "Clearly Excludes" Standard	2
III. The Lower Courts Did Not Analyze the Facts Under the Proper Legal Standard	6
CONCLUSION	9

TABLE OF AUTHORITIES

Page

CASES

Athletic Alternative, Inc. v. *Prince Mfg., Inc.*, 73 F.3d 1573 (Fed. Cir. 1996) 8

Dolly, Inc. v. *Spalding & Evenflo Cos.*, 16 F.3d 394 (Fed. Cir. 1994) 4, 5

Festo Corp. v. *Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722 (2002) 3, 8

Gaus v. *Conair Corp.*, 363 F.3d 1284 (Fed. Cir. 2004) 5

Halliburton Energy Serv., Inc. v. *M-I LLC*, 514 F.3d 1244 (Fed. Cir. 2008) 8

Markman v. *Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (en banc) 8

SciMed Life Systems, Inc. v. *Advanced Cardiovascular Systems, Inc.*, 242 F.3d 1337 (Fed. Cir. 2001) 5

Warner-Jenkinson Co., Inc. v. *Hilton Davis Chemical Co.*, 520 U.S. 17 (1997) 3, 5, 8

STATUTES

35 U.S.C. § 112 ..... 3, 8

REPLY BRIEF FOR PETITIONER

This Court is being asked to address a fundamental and important question of patent law – namely, under what circumstances may a patentee-inventor who criticized and disavowed certain prior art in his patent specification later recapture that criticized subject matter through application of the doctrine of equivalents? Under current Federal Circuit law, recapture is permitted in all cases except those where the accused infringer can meet a heightened standard of proof and show that the patent text "clearly excludes" the specific elements of the prior art that the patent-inventor is seeking to recapture. As Petitioner, Toyota, explained in its petition, however, this heightened standard, which was originally crafted by the Federal Circuit out of thin air, is illogical and counterproductive as it rewards vagueness and punishes patent clarity, thus putting it in conflict with the guidance this Court has provided in other patent cases and imperiling the basic "notice" function of our patent system.

Respondent, Paice LLC, does not address this important legal issue. Instead, Respondent has offered up a blizzard of supposed "facts" in its opposition brief in an effort to obscure the legal issue this case presents. Nothing Respondent says, however, undercuts the fact that this issue is real, that the stakes of this case matter, and that this Court is the only forum for addressing whether the Federal Circuit's heightened standard is proper.

I. The Issue Presented Here is One of Law, Not of Fact

Respondent struggles to make it look like this case merely raises an issue of fact, going so far as to intimate that Petitioner seeks to overturn the jury's verdict on the basis of the sufficiency of the evidence. See *Resp. Br.* at 15-19. That is not the case.

Petitioner is not seeking to limit the literal scope of the asserted patent claims (the jury found no literal infringement), nor is it asking for a review of the sufficiency of the evidence presented below. Rather, this case concerns the *standard* that a court should apply when determining whether a disavowal of the prior art in a patent specification should limit application of the doctrine of equivalents. The Federal Circuit applied a "clearly excluded" standard in refusing to find a disavowal below. Petitioner submits, however, that the proper standard should have been what one skilled in the art would have reasonably understood had been disavowed, and it is indisputable that neither court below analyzed the facts of this case under that proper standard.

II. Respondent Does Not Defend the "Clearly Excludes" Standard

As Petitioner discussed in its opening brief, the Federal Circuit's requirement that an accused party must show that the patent-inventor "clearly exclude[d]" specific subject matter in the patent text before the court will restrict application of the doctrine of

equivalents encourages a lack of clarity in patent drafting by ensuring that an ambiguous disavowal will result in no restrictions on the patent. Instead, it would be more consistent with patent precedent (e.g., *Warner-Jenkinson Co., Inc.* v. *Hilton Davis Chemical Co.*, 520 U.S. 17 (1997); *Festo Corp.* v. *Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722 (2002)), the Patent Statute (35 U.S.C. § 112, ¶¶1, 6), and sound public policy to hold that when those who possess the "power of pen" choose to criticize and disavow prior art in the patent text, that disavowal should give rise to an estoppel commensurate in scope with what those of ordinary skill in the art would *reasonably understand* is the subject matter been disclaimed.

On the surface, Respondent purports to disagree. Notably, though, Respondent offers no argument for why the Federal Circuit's heightened "clearly excludes" standard is appropriate. See, e.g., *Resp. Br.* at 15-19. In fact, at no point does Respondent even *use* the phrase "clearly excludes" in its brief.

Instead, Respondent simply argues that the *burden* to show that there has been a disavowal should fall on the party asserting an estoppel, see *id.* at 18, and on this point Petitioner agrees. In the present case, however, that burden was *met*. The Federal Circuit agreed with Petitioner that there had been "criticism and disavowal of [Berman] in the written description" of the Paice patent. See App. 31. The issue, however, was that the Federal Circuit could not be absolutely certain as to which of two *specific combinations of*

elements (the motor/engine/gear set arrangement or the "control system") the patentee-inventor had meant to disclaim because the court thought that the disavowal text could be subject to multiple reasonable interpretations. See App. 35.

Petitioner also agrees with Respondent that the notice function of a patent is "preserved" by "viewing the patent through the eyes of a skilled artisan [or of] a competitor of the patentee." Cf. *Resp. Br.* at 17. Yet nowhere does Respondent explain (nor can it) why it would not be proper to measure the scope of an estoppel based on the *reasonable understanding* of such persons. In fact, the Federal Circuit's "clearly excludes" rule, which Respondent purports to defend and which rule demands that the scope of a disavowal be absolutely clear, is the very *antithesis* of a "reasonable understanding" standard because (as in the present case) it leads to circumstances where no disavowal is found even though all would agree that *some sort* of disavowal actually took place.

The fact that Respondent cannot find support for the heightened "clearly excludes" standard also helps illustrate why this issue merits Court intervention. A review of Federal Circuit case history illustrates that the court fashioned this rule without any critical analysis and based on inapplicable precedent.[1] The

---

[1] The origins of the "clearly excludes" (or "specifically excludes") rule are said to be *Dolly, Inc.* v. *Spalding & Evenflo Cos.*, which stands for the unremarkable position that "the concept of equivalency cannot embrace a structure that is

(Continued on following page)

court, however, nonetheless continues to apply this heightened standard as inviolable "doctrine" today, thereby undercutting the notice function of patents, broadening the doctrine of equivalents beyond its proper bounds, and unfairly injuring competitors who relied during product development on the reasonable notice the patent provided as to the scope of equivalents.

It is not the role of the Federal Circuit, though, to expand the doctrine of equivalents or to increase the burden on parties who reasonably relied on the language of the patent text as to the scope of equivalents when ordering their affairs. "[T]he doctrine of equivalents, when applied broadly, conflicts with the definitional and public-notice function of the statutory claiming requirement." *Warner-Jenkinson*, 520 U.S. at 29. This Court should therefore not remain silent on this issue.

---

specifically excluded from the scope of the claims." 16 F.3d 394, 400 (Fed. Cir. 1994); see, e.g., *SciMed Life Systems, Inc.* v. *Advanced Cardiovascular Systems, Inc.*, 242 F.3d 1337, 1345 (Fed. Cir. 2001) (citing *Dolly*); *Gaus* v. *Conair Corp.*, 363 F.3d 1284, 1288 n.2 (Fed. Cir. 2004) (citing *SciMed*); App. 31-34 (relying on *SciMed* and *Gaus*). As Petitioner noted previously, however (see *Pet. Br.* at 21), just because an element that *has been* "clearly excluded" cannot be deemed to be an equivalent of a claimed limitation does not mean that an element *must be* "clearly excluded" in order for an estoppel to arise. Petitioner is not aware of any analysis by the Federal Circuit wherein it actually considered whether its heightened standard is justified.

III. The Lower Courts Did Not Analyze the Facts Under the Proper Legal Standard

Respondent's final argument is to suggest that an acknowledgement and application of the proper standard would not matter under the facts of the present case. See *Resp. Br.* at 19-21. This argument is both presumptuous and wrong.

Neither the District Court nor the Federal Circuit considered the critical question of what a person of ordinary skill in the art would reasonably understand had been disavowed. The District Court acknowledged that the patent specification contained "unfavorable statements" about the Berman planetary gear system, but held that those statements did not "clearly disavow" the use of those systems in the claimed invention. App. 68. Meanwhile, the Federal Circuit likewise acknowledged that there had been "criticism and disavowal of [Berman] in the written description[,]" App. 31, but it too eventually threw up its hands because it could not be certain *what specific element* had been disavowed. App. 35 ("Paice may have been referring to the arrangement of the motors, engine, and planetary gear set, or to the control system described in the [Berman] patents. The intrinsic evidence simply does not provide any resolution to this ambiguity."). That is, the language the patentee-inventor chose to include in the patent specification – while recognized as a disavowal – was too vague to meet the "clearly excludes" standard.

However, this does not mean that those skilled in the art did not *reasonably understand* the scope of what had been excluded – and indeed, the evidence presented below was that there was such an understanding. See App. 30-31. Neither court, though, delved into that further. Instead, because of the reverse presumption that naturally flows from application of the "clearly excludes" rule, the courts held that because they could not be certain *what* had been disavowed, they would find no disavowal at all.

For its part, Respondent suggests that the Federal Circuit would have found no disavowal under any standard because the court supposedly regarded what Respondent deems "Toyota's best evidence" to be "equivocal at best." See *Resp. Br.* at 21. The "evidence" to which the court was referring, however, was *the patent text*. In other words, because the patent was not precise as to whether the disavowal related to "the arrangement of the [Berman] motors, engine, and planetary gear set" or to "the control system described in the [Berman] patents," the Federal Circuit permitted the patent-inventor to recapture *both* sets of elements, even though it was clear (App. 31) that *one or the other* had been disavowed, and even though it would have been reasonable for a competitor to have concluded that *either* (or both) set of elements had been disavowed and, based on that assumption, used that design.

This is the problem with the Federal Circuit's "clearly excludes" standard and this is why the reverse presumption it creates – *i.e.*, that every aspect of the

prior art that the patentee-inventor criticized may be recaptured under the doctrine of equivalents unless it can be clearly shown which of several aspects was disavowed – conflicts with the notice function of the patent system. Were the lower courts to apply the proper standard and defer to the understanding of those skilled in the art (as required by the Patent Statute; see 35 U.S.C. § 112, ¶¶1, 6), the conclusion they would have to reach would be that *both* possibilities must be regarded as having been disavowed. Vagueness should not be rewarded. Accord *Warner-Jenkinson*, 520 U.S. at 33-34; *Festo*, 535 U.S. at 740-741; *Markman* v. *Westview Instruments, Inc.*, 52 F.3d 967, 980 (Fed. Cir. 1995) (en banc); *Athletic Alternative, Inc.* v. *Prince Mfg., Inc.*, 73 F.3d 1573, 1581 (Fed. Cir. 1996); *Halliburton Energy Serv., Inc.* v. *M-I LLC*, 514 F.3d 1244, 1249 (Fed. Cir. 2008) (discussed in *Pet. Br.* at 17-19).

* * *

CONCLUSION

For the reasons stated above, the petition for a writ of certiorari should be granted.

Respectfully submitted,

GEORGE E. BADENOCH
Counsel of Record
KENYON & KENYON LLP
One Broadway
New York, NY 10004
(212) 425-7200

T. CY WALKER
WILLIAM M. MERONE
KENYON & KENYON LLP
1500 K Street, N.W.
Washington, DC 20005
(202) 220-4200